# Where Are All the Missing Workers? --- Many economists expect labor shortage to persist; businesses cut services, raise pay

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## FULL TEXT

Scarce labor is becoming a fixture of the U.S. economy, reshaping the workforce and prodding firms to adapt by raising wages, reinventing services and investing in automation.

More than a year and a half into the pandemic, the U.S. is still missing around 4.3 million workers. That's how much bigger the labor force would be if the participation rate -- the share of the population 16 or older either working or looking for work -- returned to its February 2020 level of 63.3%. In September, it stood at 61.6%.

The absence comes as U.S. employers are struggling to fill more than 10 million job openings and meet soaring consumer demand. In another sign of just how tight the labor market is, jobless claims -- a proxy for layoffs across the U.S. -- fell to 293,000 last week, the first time since the pandemic began that they fell below 300,000, the Labor Department said Thursday.

Workers are quitting at or near the highest rates on record in sectors such as manufacturing, retail, and trade, transportation and utilities, as well as professional and business services.

Participation has fallen broadly across demographic groups and career fields, but has dropped particularly fast among women, workers without a college degree and those in low-paying service industries such as hotels, restaurants and child care.

The participation rate experienced its biggest drop since at least World War II in the early months of the pandemic. It partly rebounded last summer and since then has hovered near the lowest level since the 1970s, despite sturdy economic growth and the strongest wage gains in years.

Many economists expected school reopenings, expiring unemployment benefits and the fading Delta variant to help boost labor-force participation this fall. But evidence suggests labor shortages might be deepening: Labor supply declined in September and workers quit at record rates in August.

Some economists are concerned that worsening worker shortages reflect longer-term shifts, such as the pandemic-driven acceleration of retirements, that won't reverse.

Many expect the labor shortage to last at least several more years, and some say it's permanent. Of 52 economists surveyed by The Wall Street Journal, 22 predicted that participation would never return to its pre-pandemic level.

"Our problem is not an economy that doesn't want to get started -- it's already started," said Ron Hetrick, an economist at labor analytics firm Emsi Burning Glass. "It just doesn't have people to make the engine run. We don't know how to reignite this thing right now."

Normally after recessions, consumers are reluctant to spend and businesses to hire, and laid-off workers are eager to find a job. This time, consumer spending is robust and employers are anxious to hire, but workers aren't willing or able to come back.

Employees are reaping the benefits of pay raises. At the same time, many businesses are responding to higher wage costs by boosting the output of the workers they have, with productivity up 5% from the first quarter of 2020 through the second quarter of 2021.

The reasons for the labor shortages are myriad, and often interrelated. Day-care centers, short of workers, are turning away families. The number of people employed in child care was down by 108,700, or 10.4%, in September 2021 compared with February 2020, Labor Department data show. Wages for such workers were up 10% in August of this year from February 2020. More expensive, harder-to-find daycare ripples through the economy, giving some parents added reason to stay home with young children rather than return to work.

Pandemic border closures have reduced the availability of immigrant workers. Many baby boomers, their portfolios fattened by the bull market, are retiring early. Other workers have become self-employed. Trillions of federal relief dollars have made many less eager to return to strenuous, modestly paid jobs.

"Work -- for me, at least -- just wasn't working for our family anymore," said Stephanie Schaefer, a 36-year-old mother in Riverside, Calif.

At the pandemic's start, Mrs. Schaefer worked part time as a public-relations representative for her church, earning roughly $31,000 a year. She loved the job and planned to stay even after having her second child in 2020, with her mother watching the children. On Christmas Eve, her mother died of Covid.

Meanwhile, her husband got a new sales job for a flooring manufacturer, with a raise. The couple considered the high cost of child care and decided that she would stay home with their 3-year-old daughter and 1-year-old son, at least until they reach kindergarten.

Economists say many workers in low-paying fields are being lured by higher-paying industries, or holding out for higher pay or for the job that will best suit their needs. In August, nearly 4.3 million people quit their jobs, a record for Labor Department data back to December 2000.

Many big corporations have raised wages for service workers in recent years as the labor market tightened, a trend that accelerated during the pandemic. "If Amazon is paying $15 an hour to work in a warehouse, that might be a more rewarding job than to be a child-care worker," said Betsey Stevenson, a University of Michigan economist who previously advised President Barack Obama. "Child-care workers just have more options right now."

Goldman Sachs said in a note this month that enhanced unemployment benefits -- which at one point provided up to $600 a week to jobless workers, on top of normal benefits -- have likely contributed to the shortage. Other economists dispute that. Those extra benefits expired in about half of states earlier this summer and the remaining states in early September. Household savings collectively stood at $1.7 trillion in August, up 21% from the February 2020 level of $1.4 trillion, according to research by investment bank Natixis.

When the pandemic began, Jesse Stromwick was a senior engineering manager at a small software firm in Portland, Ore., supervising a couple dozen employees. "In the pandemic there were a lot of challenges in our business that I was called upon to deal with," said Mr. Stromwick, 34.

The birth of his son last November added to his doubts about whether the job's rewards were worth the sacrifices. He initially looked for other opportunities. When a friend suggested that he take time off entirely, Mr. Stromwick was intrigued. "Is that even a thing you can do in capitalism?" he recalls thinking.

His wife, a nurse-midwife, supported the move. The federal government, under a combination of policies from the Trump and Biden administrations, has allowed borrowers like his wife to suspend student-loan payments through January 2022. The couple also refinanced their mortgage at a lower interest rate. Those adjustments have saved around $2,000 a month. His wife picked up more hours at work.

Mr. Stromwick's planned three months off has stretched to five months and might last until the end of the year, he said. He spends time with 11-month-old Amos, cooks and is working with a friend on a fitness app, which he hopes will become a full-time job.

"Two years ago I was thinking, I want to get as high as I can on the corporate ladder," he said. "It just interests me less now if it comes with a sacrifice to my mental health and my connection with my family."

The pandemic remains a barrier to higher participation. Between mid-June and mid-September, the number of people who said they couldn't work because they were sick with Covid or were caring for someone who had the virus rose by 2.5 million, according to a Moody's analysis of Commerce Department data.

Employers are overhauling their business models to adjust for the labor shortage. Some, such as restaurants, are cutting the hours or days that they're open.

An influx of New Yorkers moved to the small town of Washington, Conn., during the pandemic, helping spur business at the Po Cafe, said owner Maggie Colangelo. Her 10 employees are logging long hours and juggling multiple roles.

The cafe cut back hours and is closed Sundays and Mondays because Ms. Colangelo can't find workers. She has raised pay for the average worker by about $1.50 in the past year to $14.50 an hour, but said she can't afford to go much higher.

Nationwide, employment at restaurants and bars was down by 930,500 jobs, or 7.6%, in September from February 2020; hourly pay was up 12.7% between February 2020 and August 2021. Inflation data show some of that is being passed on to customers: Restaurant meals were 7.3% more expensive in September than in February 2020.

"We just constantly have to remind the customers that although it feels normal, on our end it's anything but," said Ms. Colangelo, who expects that many workers who left the industry won't return.

Scarce labor is changing how hotels operate. Host Hotels &Resorts Inc., a large owner of Hyatt and Marriott-branded hotels, has discussed eliminating hot breakfast buffets and other changes to its food and beverage services, and is asking guests to request daily room cleaning rather than automatically providing it.

"Our industry needs more housekeepers. We need more guest service agents. We need more culinary team members," Geoff Ballotti, the chief executive of Wyndham Hotels &Resorts Inc., told analysts in July. On the demise of daily housekeeping, he said, "I think that's where the industry is heading."

Hotels employed about 290,000 fewer people in August than in the month before the pandemic, a drop of 17%, and were paying the employees they had an average of $20.83 an hour in August, up 13.3% since before the pandemic.

Amid the shortages, more businesses are looking to labor-saving technology such as self-checkout stations at retailers and tablets for ordering food at restaurants. Business investment in information processing equipment rose 16% in the year through June, after growing 4% annually on average over the past 10 years, according to a Moody's Analytics analysis of Commerce Department data.

In Reno, Nev., where there is an acute shortage of nurses, the large nonprofit hospital system Renown Health is investing in technology to allow each nurse to serve more patients. In a pilot program, an electronic device roughly the size of a quarter attached to a patient's chest allows Renown's nurses to check vital signs remotely.

CEO Tony Slonim said that the pandemic-induced labor shortage led him to pursue the new technology, and that he hopes it will allow Renown to serve patients in rural hospitals, at skilled nursing facilities and in their homes.

"We've got to break through with these innovations if we're going to be successful in managing the workforce challenges and shortages," he said.

For now, the new normal of labor scarcity is mostly good for workers, but some may be left worse off in the long run. Hotels, by adjusting their operations to require less labor, will end up eliminating jobs that traditionally have gone to tens of thousands of predominantly Black and Hispanic women, according to Unite Here, a union that represents hotel and other workers.

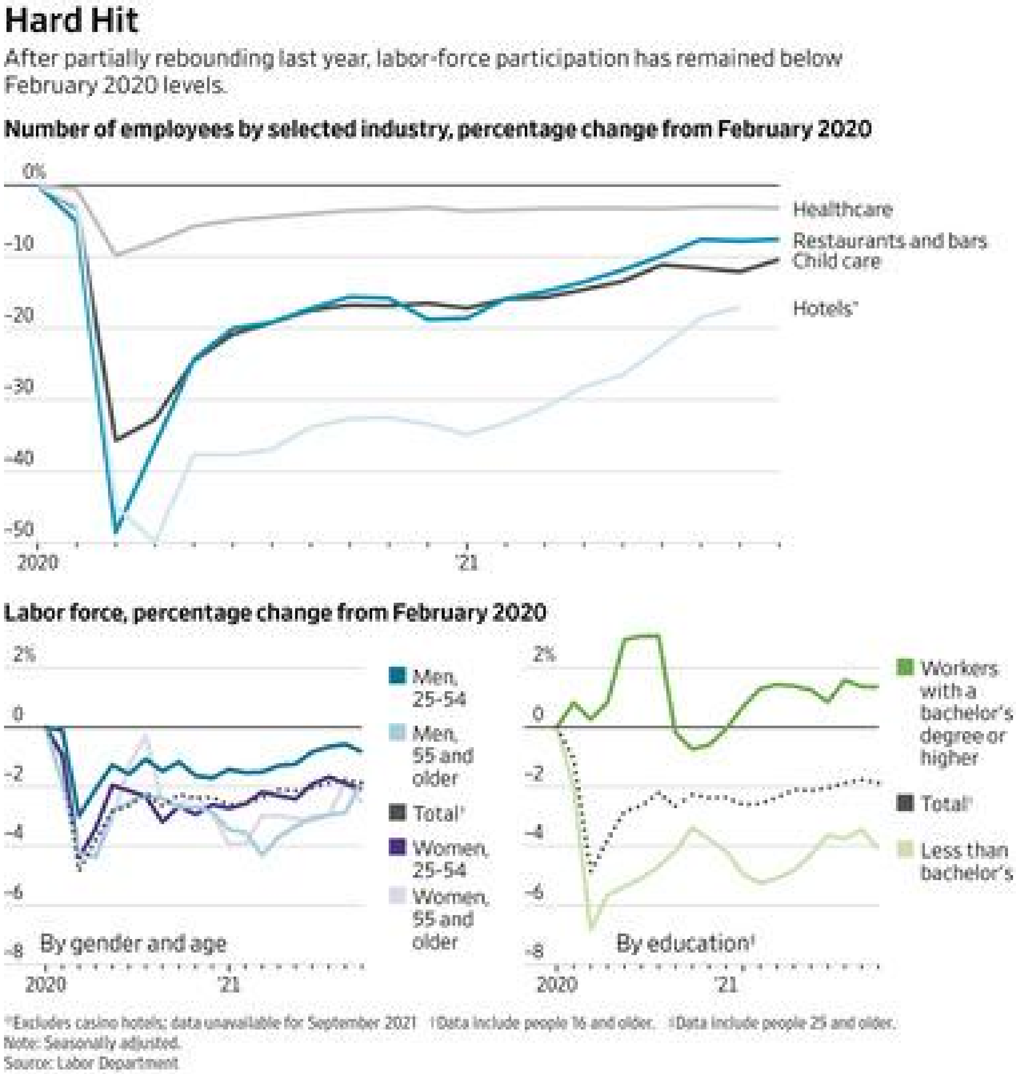
Some of the decline in participation reflects aging trends that predate the pandemic. Even so, the population of retirees rose by 3.6 million in the U.S. between February 2020 and June 2021, more than double the 1.5 million increase that would have occurred if the pre-pandemic pace of retirements had continued, according to the Federal Reserve Bank of Kansas City.

Diane Sealey, 63, was furloughed from her job as a senior housekeeper at the Boston Marriott Copley Place, a Host property, in March 2020 after working there for 35 years. Six months later, she was laid off from the $25-an-hour job.

Ms. Sealey, who has lupus, decided to retire. She claimed Social Security earlier than she'd planned, cutting her monthly benefit by a few hundred dollars. The experience left her feeling betrayed, and reluctant to join another company, she said.

"We were always told that we were family, that we stuck together, but when times got hard, they tossed us out the door like we was nothing," she said.

Host didn't respond to requests for comment.
Siomara Wilson, 62, was let go from her account executive job at Marriott International Inc., her employer of about 25 years. Job opportunities appeared slim, and she and her husband had built up a financial cushion.
She decided to retire several years earlier than she had previously planned. When Marriott recently contacted her to gauge her interest in a job opening, she didn't pursue it.
"The timing wasn't right," she said. "I just can't see myself jumping into that go, go, go, go, go right now."

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